

BMMP Business Management Modernization Program

Accounting and Finance Domain

ASMC National PDI

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Domain**

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**Arming the Warfighter
Through Business Improvement**

www.dod.mil/comptroller/bmmp





Outline

- Introduction
- Working Sessions
- Enterprise Business Process Model - Domain Integration
- Foundation to Achieve and Maintain an Unqualified Audit Opinion
- Standard Financial Information Structure
- USSGL
- Costing Methodology
- Next Steps



Introduction

"The Department of Defense will be managed in an efficient, *business-like manner* in which accurate, reliable, and timely financial information, affirmed by clean audit opinions, is available *on a routine basis* to support informed decision-making at all levels throughout the department."

***– Secretary of Defense
Donald Rumsfeld***

- Fewer \$\$ spent on business processes and systems – more available for the war fighting mission
- Men and women in uniform have what they need when they need it
- Congress is told, with confidence, where \$\$ are being spent in DoD



Introduction

- The purpose of the BMMP is to develop, coordinate, approve, and manage a systematic approach to transforming DoD business operations to provide world-class services to the Warfighter and other DoD customers
- The goal of BMMP is to achieve the following:
 - + **Provide timely, accurate, and reliable information for business management**
 - + **Enable improved business operations**
- The scope of BMMP encompasses all DoD activities, policies, and resources involved in managing and performing DoD business operations.



Introduction

- The Accounting and Finance Domain is one of 6 Domains developed to work collaboratively to expand the Business Enterprise Architecture.
- Our role is to serve as the primary agent for the transformation of finance, accounting operations, and financial management functional processes.
- Our vision includes the standardization of DoD financial information structure and management business rules, processes, and procedures compliant with authoritative guidance established by the Federal Accounting Standards Advisory Board, US Treasury Department, and Office of Management & Budget.



Introduction – Guiding Principles

- **Systems**
 - + Eliminate duplication, incompatibility and redundancy
 - + Capture and validate information once and reuse across the enterprise
 - + Provide security and protection of sensitive information
- **Knowledge Management**
 - + Manage knowledge as a corporate asset using capitalized standard shared information as a driver
 - + Provide the right information at the right time to make the right decision
 - + Adopt leading practices to optimize business operations
- **Standardization**
 - + Emphasize cooperative strategies for common needs across DoD
 - + Create deployable enterprise architecture products
- **Procurement**
 - + Re-use before buy; buy before build, utilizing industry standards



Introduction – What makes this initiative different?

- *Unprecedented support* at the highest levels of leadership in the Department
- *Governance structure* establishes ownership by key executives throughout the Department
- *Addresses all of DoD business functions*
- *One integrated DoD architecture* instead of separate, isolated Service and Agency initiatives
- *Technology is available now* that didn't exist 5 – 10 years ago
- More attention to *involving stakeholders*
- *Incremental rollout* of solutions and the architecture



ACC/FIN Domain Near-Term Plan

- **Core Finance and Accounting Processes**
 - + Define core finance and accounting process that support DoD business management
- **Standard General Ledger**
 - + Define USSGL postings for DoD Business Events
- **Standard Financial Information Structure (SFIS)**
 - + Define data attributes needed to support budgeting, cost management, performance measurement, and external reporting requirements
- **Managerial Cost Accounting**
 - + Define how accepted cost accounting methodologies from SFFAS #4 may be applied to DoD Business Areas
 - + Cost Accounting Structure is an extension of the SFIS



Working Sessions

- Focused on 18 Material Weaknesses
- Business process focus based on analysis of those material weaknesses
- Business events that trigger finance and accounting events on addressing and correcting those material weaknesses
- Results of the working sessions are being vetted with other domains for inclusion in BEA version 2.2 due July 31, 2004



Working Sessions – Business Process Areas Focused on Unqualified Audit Opinion

- Focused on the 18 material weaknesses identified in DoD consolidated and individual component Annual Reports

+ 6 core business activities weakness areas

- Military Retirement Health Care Liability
- Environmental Liabilities
- General Plant, Property and Equipment
- Government Furnished Materials/Contractor Acquired Materials
- Inventory
- Operating Materials and Supply



Working Sessions – Business Process Areas Focused on Unqualified Audit Opinion (cont)

- Focused on the 18 material weaknesses identified in DoD consolidated and individual component Annual Reports
 - **12 generalized weaknesses list**
 - Financial Management Systems
 - Eliminations
 - Unsupported Entries
 - Fund Balance with the Treasury
 - Problem Disbursements
 - Statement of Net Costs
 - Statement of Financing
 - Systems Security
 - Fraud Risks
 - Reporting Requirements
 - GPRS Requirements
 - Prompt Payment Act



Working Sessions – Business Process Areas Focus...



Acquisition of Real Property	Intra/Inter-governmental
Acquisition of Consumable Inventory	Disbursing/Treasury Process
Acquisition of Wholesale/Retail Inventory	Transportation of Goods
Acquisition of Major Assets	Transportation of personnel/HHG
	Temporary Duty Travel/PCSS
Valuation of Major Assets	Environmental Liabilities
Valuation of Existing Real Property	Maintenance and Repair
Valuation of Existing Inventories	Contracting Debt
	Health Care Management
Active Duty Military Pay	Foreign Military Sales/Credit Reform
Reserve Payroll	Trail Balance/Closing Financial Statements
National Guard	
Civilian Pay	
Payroll Payables and Receivables	
Military/Civilian Debt Collection	
Other Military Benefits	
Subsistence	



Working Sessions - Results

- Where we've been:
 - ▢ ACC/FIN Workshops
 - ▢ Analysis of External Reporting Requirements
 - ▢ Analysis of Cost Management and Performance Measurement Requirements
 - ▢ ACC/FIN Workshop Prep Session (Mar 10-11)
 - ▢ Cost Accounting Workshop (Mar 16-18)
 - ▢ ACC/FIN SFIS Workshop (Mar 22-25)
 - ◆ Building on the SPB Deliverable (budget requirements)
 - ▢ Staffing SFIS with Treasury, OMB, USD(C), Domain Leads



Enterprise Business Process Model (EBPM)

- Domain collaboration began in February 2004. Objectives were to:
 - + **Developed single Enterprise Business Process Model (EPBM)**
 - + **Consolidated multiple Domain Process Flows**
 - + **Established integration touch points**
 - + **Eliminated “stove-piped” processes**
 - + **Reviewed and agree upon Business requirements and rules**
 - + **Developed standardization of:**
 - **Process Box Names**
 - **Process Definitions**
 - **Common Sequence Flows**
 - **Data Objects**



Enterprise Business Process Model (EBPM)

- Through this effort, the Domains evolved and will complete defining processes within horizontal functional roles (or swim lanes).
- The Horizontal Vision was Warfighter, Consumer, Program Managers, Resources Managers, Commercial Vendor, Operations Managers, and Accounting and Finance.
- The Vertical Vision of Planning, Source/Acquire, Execute, and Return/Separate/Terminate/Dispose.
- Major breakthroughs to the elimination of 'stove-piped' processes.
- This foundation model is an "end-to-end" business replica which has continuous feedback loops for timely financial information.



Designing the Foundation to Achieve an Unqualified Audit Opinion

- Understanding and Examining the “Current stove-piped” environment
- Working in Coordination with the Component Financial Improvement Plans
- Going Back to the Basics Using Authoritative Guidance
- Standard Financial Information Structure
- Developing the Strategy for the “Interim” environment
- Transitioning to the “To Be” environment



Current Environment

- Non-integrated horizontally
- Vertically linked through “non-secure” interfaces
- Does not comply with Federal Financial Management Systems requirements, accounting standards, and general ledgers at the transaction level
- Manual cross-walking of non-standard data elements



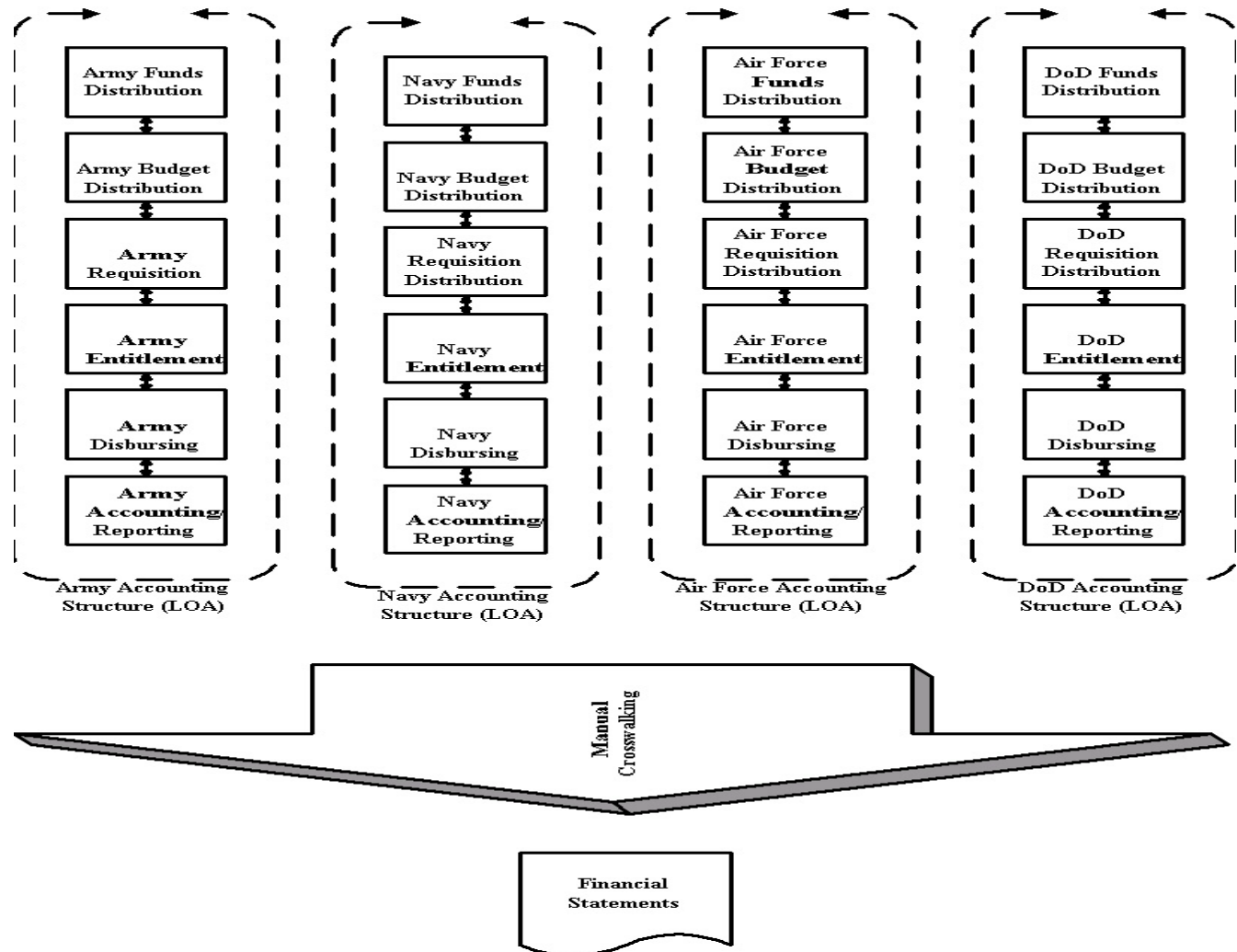
Current Environment

- Which leads to key material weaknesses...
 - + **systemic deficiencies that result in inaccurate, unreliable, and untimely financial and performance information**
 - + **inability to capture and report full cost**
 - + **limited trading partner data at the transaction level**
 - + **limited ability to track funds for contingency purposes**
 - + **limited ability to analyze prior-year actual execution for formulating the budget for future years**



Current Environment

- Stove-piped Systems
- Non-Integrated Systems
- Stove-piped Business Languages
- Cross-walking of Financial Information





Authoritative Guidance to an Unqualified Audit Opinion

- Established the accounting and finance hierarchy of authoritative guidance (i.e. Public Law, OMB, FASAB, etc.)
- Focusing on the CFO Act of 1990, the GPRA, the Government Management Reform Act of 1994, and the Federal Financial Management Improvement Act (FMMIA) of 1996, Public Law, OMB Guidance, and accounting concepts and standards promulgated by FASAB



Standard Financial Information Structure Initiative (SFIS)

- Across DoD, the accounting classification elements and definitions must be standardized to ensure consistency, uniformity, and efficiency in accounting treatment, classification, and reporting.
- The Accounting Classification Management process provides a consistent basis for:
 - + Consolidating government-wide financial information,
 - + Integrating planning, budgeting and accounting,
 - + Capturing data at the lowest level of detail at the point of data entry throughout the agency in a manner that ensures that when data is rolled up, it is consistent at the standardized level, and
 - + Comparing and combining similar programs across agencies and calculating overall program results.



Standard Financial Information Structure Initiative (SFIS)(cont.)

- The accounting classification is a subset of the financial information classification structure, which also includes financially related personnel information, performance measurement information, and other financial information needed by the agency.
- It provides the means for categorizing financial information along several dimensions as needed to support financial management and reporting functions.
- The data elements necessary will depend on data aggregation requirements for preparation of financial statements under the CFO Act.



Standard Financial Information Structure Initiative (SFIS)(cont.)

- The ACC/FIN Domain near-term plan is to define the core business processes and implement general ledger postings for business events
- Prior initiatives focused on standardizing the Department's line of accounting
- This initiative is deliberately not focused on re-creating or re-configuring a new line of accounting
- The SFIS is a comprehensive approach to defining a standardized structure that supports budget, cost/performance management, and all external reporting requirements.



Standard Financial Information Structure Initiative (SFIS)(cont.)

Concept...

- Focus on defining a standard financial information structure that supports budgeting, cost management, performance measurement, and external reporting requirements.
- Focus on the interim environment data mapping and transformation to meet the goals of the Mid-Range Financial Management Improvement Plan.
- Future focus on the to-be environment SFIS, which will be implemented within source systems, eliminating DoD's need to translate between multiple business languages!



Standard Financial Information Structure Initiative (SFIS)(cont.)

Goals...

- Enable managers to link execution to performance, budgetary resources, and actual financial information.
- Enable full costing and valuation of DoD programs and assets/liabilities.
- Provide the ability for future core financial systems and feeder systems to 'talk' to each other.
- Provide an efficient and reliable basis for summarizing financial data for reporting purposes.
- Enable tracking and audit 'traceability' of transaction level financial information.
- Provide a financial data framework that will be compliant with federal requirements and consistent with private sector best practices.
- Enable an integrated business environment with drill down capabilities for information retrieval.



Standard Financial Information Structure Initiative (SFIS)(cont.)

Benefits...

- Facilitates and supports the goals of the Mid-Range Financial Improvement Plan
- Designed to be implemented within source processes and systems, eliminating the need to translate between multiple business languages
- Addresses key material weaknesses
- Facilitates compliance with authoritative guidance
- Provides data attributes to support external reporting requirements
- Leverages Industry Best Practices for Accounting Operations



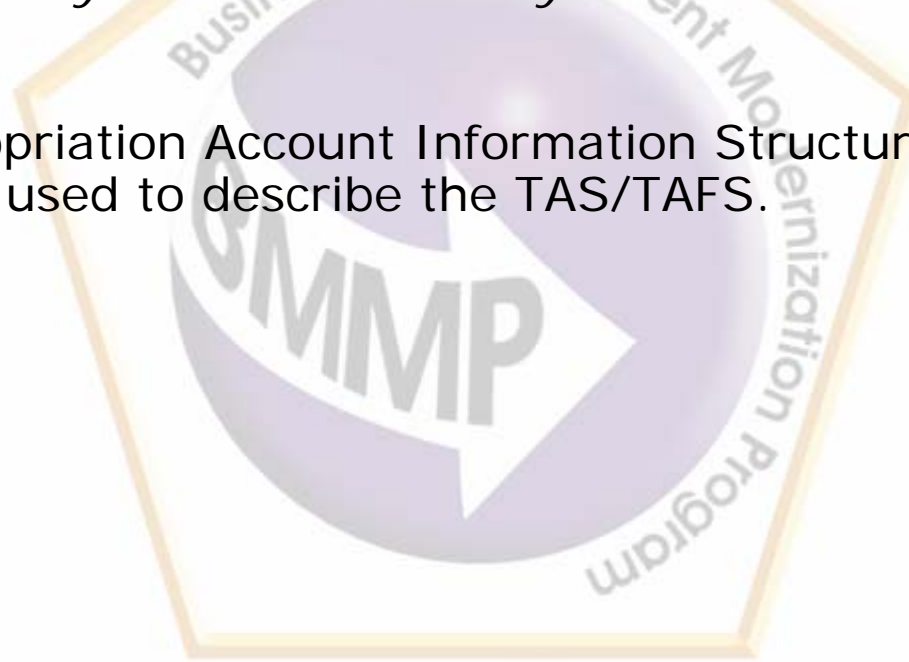
Standard Financial Information Structure Components

- **Appropriation Account Information**
- **Budget Program Information**
- **Organizational Information**
- **Transaction Information**
- **Trading Partner Information**



SFIS - Appropriation Account Information Structure

- The Appropriation Account Information Structure is designed to satisfy the JFMIP requirement to, *"Provide a fund structure that identifies the Treasury Appropriation Symbol/Treasury Appropriation Fund Symbol (TAS/TAFS) established by OMB and Treasury."*
- The Appropriation Account Information Structure includes attributes used to describe the TAS/TAFS.





SFIS - Budget Program Information

- The Budget Program Information Structure is designed to satisfy the JFMIP requirement to, *"Provide a program structure with sufficient levels of detail to allow reporting for all categories on which budgetary decisions are made...,"* as well as to, *"Provide an object class structure consistent with the standard object class codes contained in OMB Circular No. A-11...,"* and with the *'flexibility to accommodate additional levels (lower) in the object class structure.'*
- The Budget Program Information Structure includes attributes used to describe the Budget Program.



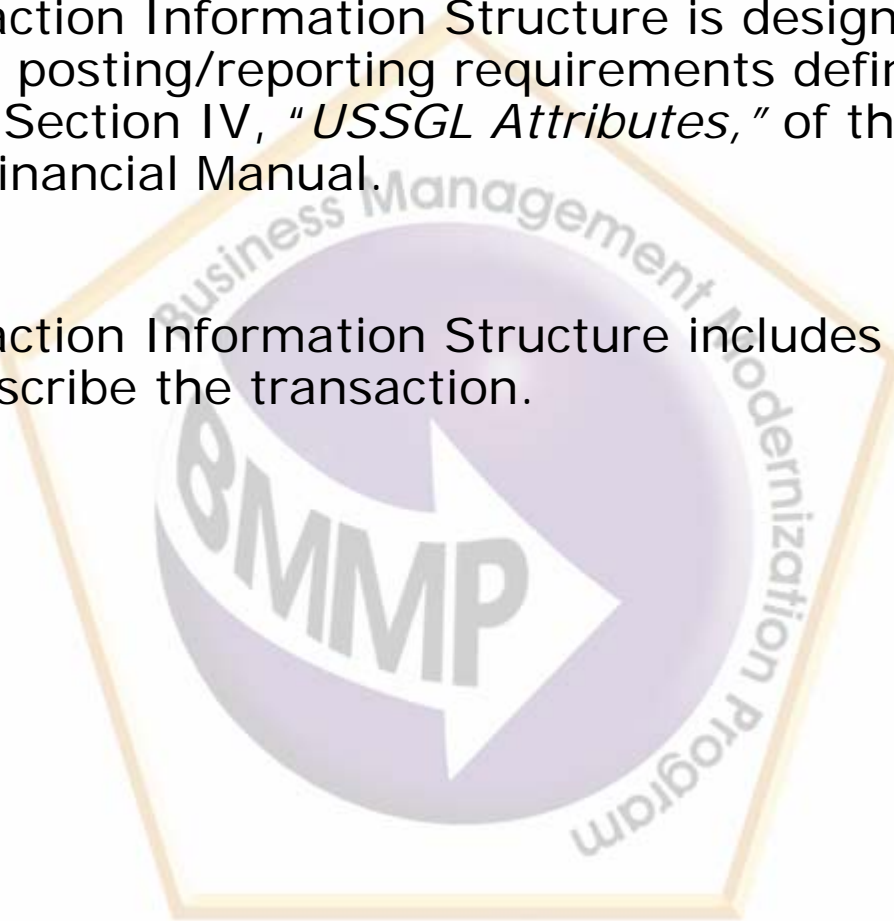
SFIS - Organization Information

- The Organization Information Structure is used to collect and report financial information based on how the entity is physically organized.
- The Organization Information Structure is designed to satisfy the JFMIP requirement to, *"Establish an organizational structure based on responsibility segments, such as bureaus, divisions, and branches. Provide for the ability to tie responsible organizational units to programs, projects and activities."*
- The organization structure elements presented here represent only the highest-level standardization of the organization.
- The Organization Information Structure includes attributes used to describe the organization.



SFIS - Transaction Information

- The Transaction Information Structure is designed to satisfy the USSGL posting/reporting requirements defined by Volume 1, Section IV, "*USSGL Attributes*," of the U.S. Treasury Financial Manual.
- The Transaction Information Structure includes attributes used to describe the transaction.



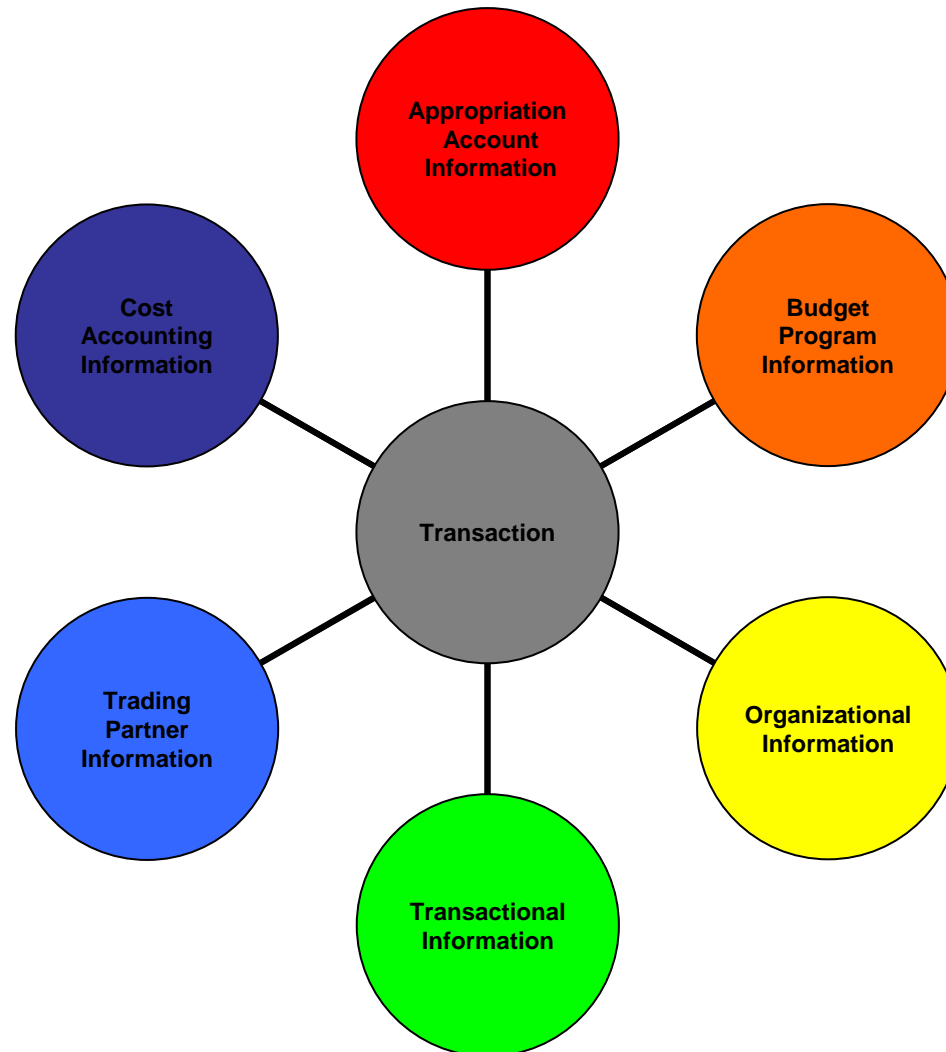


SFIS - Trading Partner Information

- The Trading Partner Information Structure is designed to satisfy trading partner reporting requirements defined by:
 - + **Volume 1, Section IV, "USSGL Attributes,"** of the U.S. Treasury Financial Manual
 - + ***"Business Rules for Intra-Governmental Transactions,"*** Memorandum M-03-01, Office of Management and Budget
 - + ***"Form and Content of Agency Financial Statements,"*** Bulletin 01-09, Office of Management and Budget
 - + ***"Form and Content of DoD Financial Statements,"*** DoD 7000.14R, Office of the Undersecretary of Defense (Comptroller)



SFIS Component Wagon Wheel





Standard Financial Information Structure - SACS

- Standard Accounting Classification Structure (SACS)
 - + **Subset of the overall SFIS**
 - + **Focused on identifying the fund account being charged on a specific transaction**
 - + **SACS consists of:**
 - **Appropriation "Account" information - "what resources are used"**
 - **Budget "Program" information - "why the resources are used"**
 - **"Organization" information - "who is using the resources"**



Standard Financial Information Structure - USSGL Attributes

- Addresses agency needs below the 4-digit USSGL account
- Supports information necessary to support FACTS I and FACTS II "trial balance" reporting
- FACTS I attributes necessary to prepare the Financial Reports
- Both FACTS I and II attributes combined with other SFIS attributes support the DoD financial statements required by OMB



Standard Financial Information Structure - Cost Accounting

- FASAB SFFAS #4, "Managerial Cost Accounting Concepts and Standards for the Federal Government" states cost accounting is essential in these five areas:
 - + **budgeting and cost control,**
 - + **performance measurement,**
 - + **determining reimbursements, setting fees, and prices,**
 - + **program evaluations, and**
 - + **making economic choice decisions**



Standard Financial Information Structure - Cost Accounting

- The structure needs to be able to accumulate cost information for the valuation of assets
- The structure needs to be able to provide cost information with supporting detail for sound decision-making
- The four major methodologies identified in SFFAS #4 are:
 - + **activity based costing**
 - + **process costing**
 - + **job order costing**
 - + **standard costing**



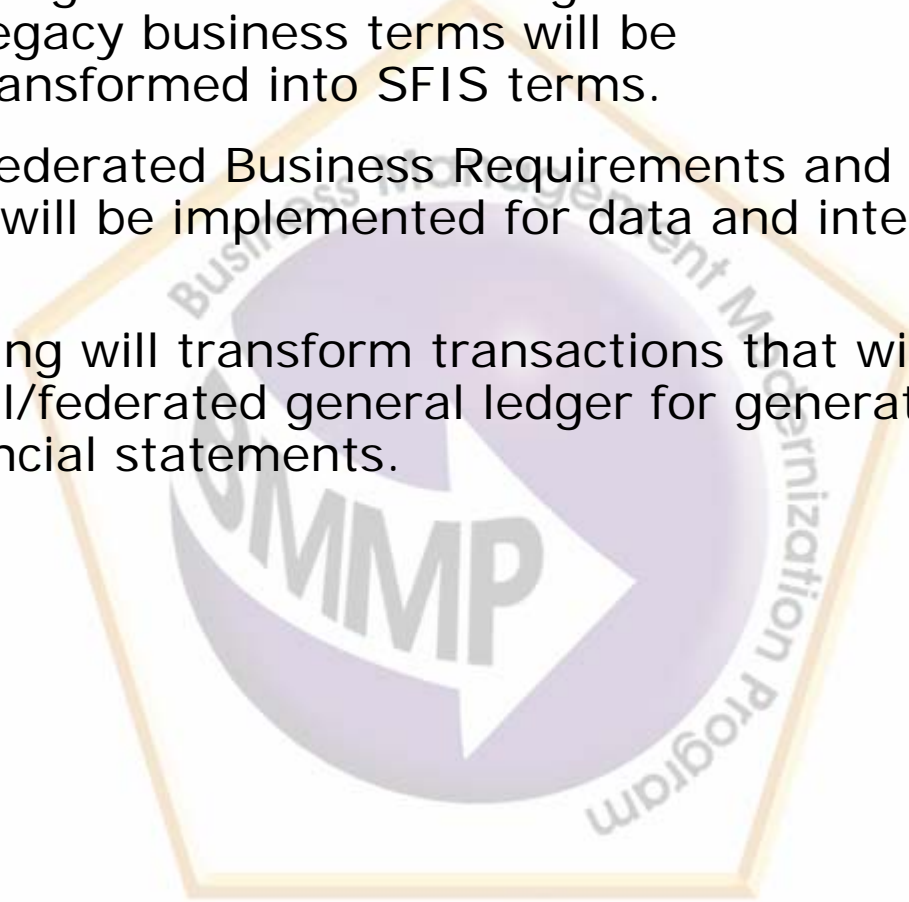
Standard Financial Information Structure - Cost Accounting

- JFMIP FFMSR #8, "System Requirement for Managerial Cost Accounting", identifies three related categories to cost as financial, operations, and program information
 - + **Financial** includes attributes to support accounting information, including costs, revenues, and units of input, such as labor and inventory
 - + **Operations** includes attributes to support measuring efficiencies and associated cost outputs. Also includes standards (planned results)
 - + **Program** includes attributes to support measuring program effectiveness and associated cost outcomes. Also includes goals and objectives for evaluation purposes.



Interim Environment

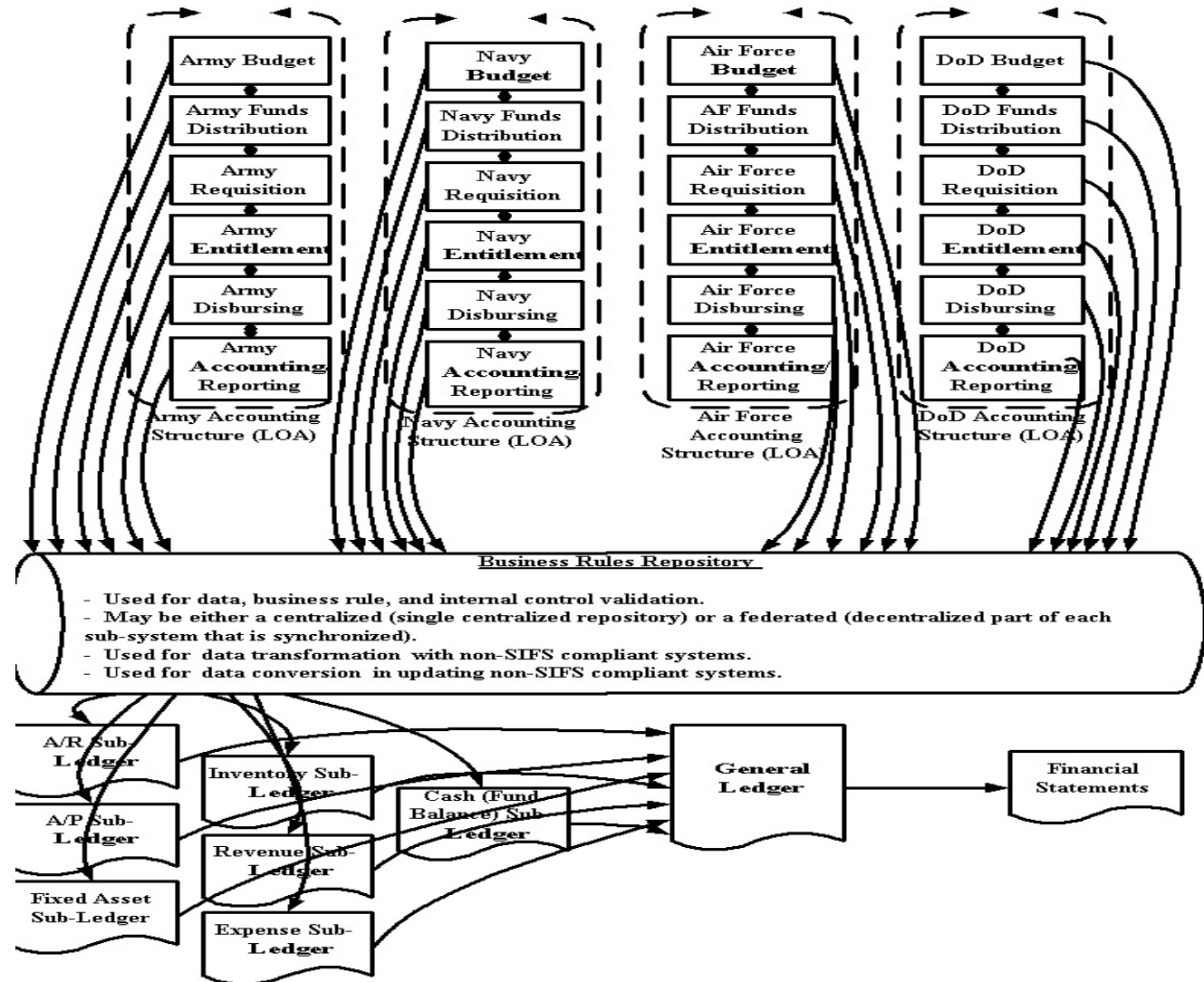
- To meet the goals of the Mid-Range Financial Improvement Plan, the legacy business terms will be mapped/transformed into SFIS terms.
- A central/federated Business Requirements and Rules repository will be implemented for data and internal control validation.
- This mapping will transform transactions that will be posted to a central/federated general ledger for generating the DoD's financial statements.





Interim Environment

- Integrate Systems to a single set of Subsidiary Ledgers and General Ledger
- Map and Transform financial information to conform to SFIS
- Focus on the needs of the Mid-Range Financial Improvement Plan





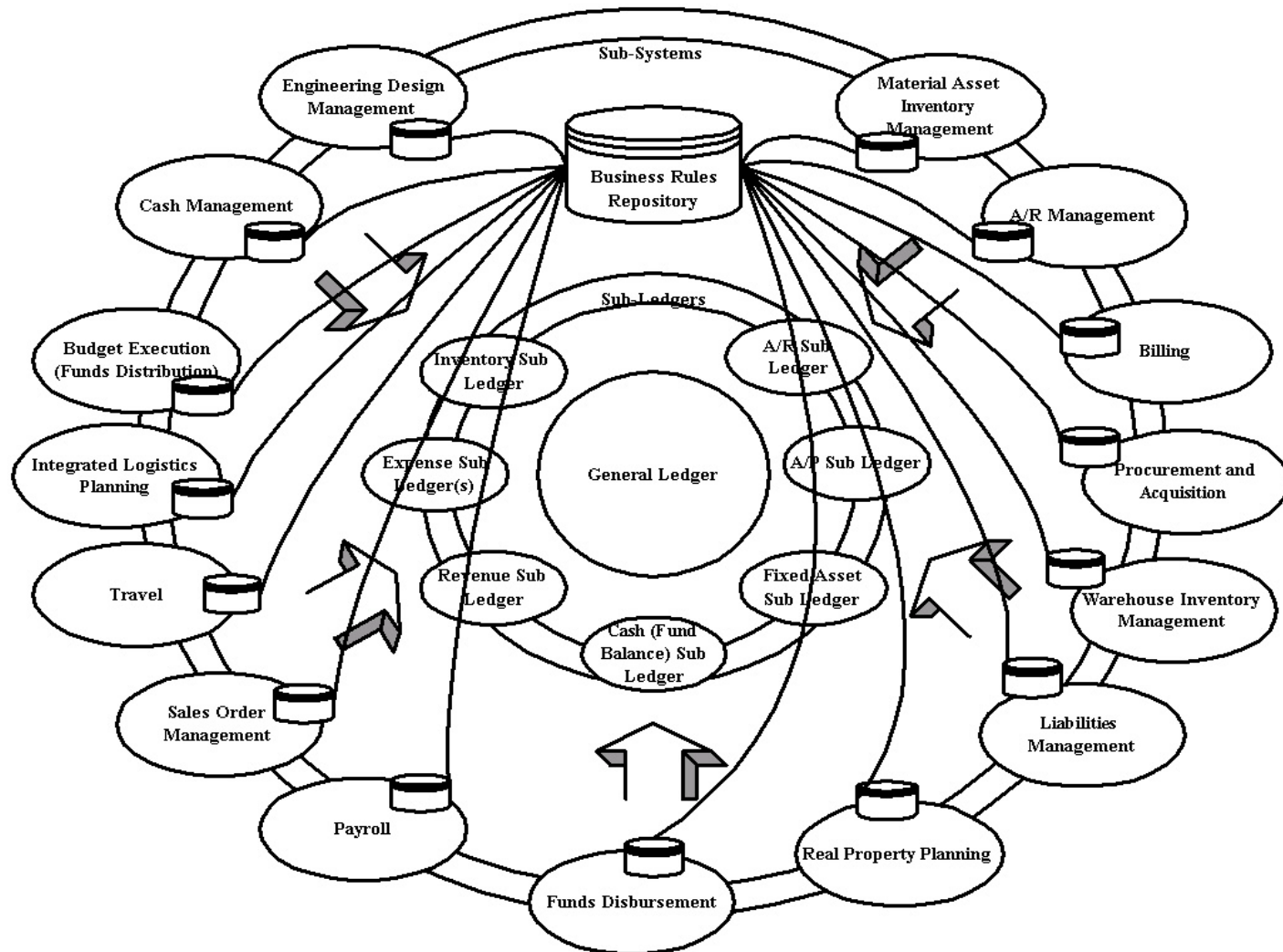
"To Be" Environment

- SFIS will be implemented within accounting and source (feeder) processes and systems.
- Business requirements, rules, and data edits will be enforced by a central/federated repository.
- Transactions will be posted to the appropriate sub-ledgers in the accounting systems.
- Those sub-ledgers will serve as the source for general ledger postings.
- Facilitates an integrated business environment with drill-down capabilities.



"To Be" Environment

- Business rules and data edits will be enforced by a central Business Rules Repository
- Financial transactions will be posted to the appropriate sub-ledgers
- Those sub-ledgers will serve as the source for general ledgers posting.





"To Be" Environment

- The current initiatives will...
 - + **Give the Department common processes and systems to support budgeting, execution, cost/performance management, and external reporting.**
 - + **Provide a single standard DoD financial language**
 - + **Link planning to execution and performance measurement**
 - + **Enable full costing and valuation**
 - + **Provide efficient summarization for Financial Reporting**
 - + **Provide the needed audit 'traceability'**



"To Be" Environment





ACC/FIN Thesaurus

- The SFIS Data Structure and Views will serve as input to the ACC/FIN Thesaurus.
- The ACC/FIN Thesaurus serves two purposes:
 - + **Allow ACC/FIN to identify, better use, and understand its own *Terms***
 - + **Publish the definitions of each *Sense* of the Term and any known *Aliases* to a wider audience for interoperability**
- The ACC/FIN Thesaurus will be used to facilitate communication and data mapping/transformation.



Next Steps

- ACC/Fin Domain Thesaurus
- Further integration workshops with the Domains
- Continue Business Process Re-engineering efforts
- Implementation of the SFIS
- Implementation of the Costing Methodology
- Further integration with the BEA



Goal for the Department of Defense

To achieve an unqualified audit opinion on its FY 2007 Financial Statements.

